



Your Retirement:

or, "Stuff You're Not Thinking About, But Should"

U.S. Senator Rod Grams

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Too Early to Think About Your Retirement?

Got a part-time job after school? Then you've already noticed that you don't pocket all the money you earn. So where are those "phantom" dollars going? Take a close look at your paycheck and you'll see: they're going to pay taxes. You pay federal taxes, state taxes, Medicare taxes – and one of the biggest taxes of all, the Social Security tax, which funds the federal government's program to assist retirees.

Seven and a half cents of every dollar you earn is taken from your paycheck for the Social Security tax. Your employer matches that, so even though you never see it all, a total of 15.3 cents of every dollar you make goes into Social Security. Over your lifetime, your family will probably pay about one-eighth of its entire income to keep the Social Security program running! You're giving Social Security a lot of your money, but what will Social Security do for you? More to the point, will the Social Security program even be around when it comes time for YOU to retire?

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If you think it's too early to look ahead to your retirement, think again. There's nothing more important than financial security, so that you can someday retire in comfort, with enough money to do the things you want – whether it's traveling, building a cabin, or spending time with your kids and grandkids.

But your retirement security is being threatened, and you need to know why – and what we can do to fix it before it's too late. The future will be here before you know it.

The Big IF

What if somebody told you that you could spend your lifetime paying Social Security taxes, but not see any of those dollars when

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you retire? It's no joke – according to the federal government itself, Social Security eventually won't have the dollars it needs to pay for your retirement benefits.

The way the program was set up, the money you're paying into Social Security today is supporting only today's retirees – your grandparents, for example, or your elderly neighbors. Contrary to what many people believe, there's no fund with your name on it into which your Social Security taxes are being deposited. Your retirement is only secure if, when you reach retirement age, there are enough tax dollars coming in from younger contributors.

Unfortunately, That's a Big "IF"

The problem is, people are living longer than ever before, and soon, Social Security won't be able to keep up. You see, back in 1941, there were 100 workers paying into the system for every retiree receiving Social Security benefits. Today, that ratio has dropped to less than three workers per retiree and will soon drop to two.



It's like one of those "pyramid schemes" you may have heard about, where investors are lured in with promises of great returns down the road. Sure, the earliest investors make money, because they're being paid from the investment dollars of those who come after them. But it isn't long before there just aren't enough investors to keep the scam

going, and the pyramid eventually collapses in on itself.

That's what's happening with Social Security. Yes, it was a great deal for its earlier investors. Ida May Fuller of Vermont, who received the program's first benefit check, paid just \$22.54 into Social Security but had collected over \$20,000 by the time she died.

You're coming into the pyramid scheme a little too late, though, which means it's not going to be such a great deal for you. And you probably already know it's hard to live on just Social Security income even now.



Social Security: A Lousy Deal

Even if Social Security wasn't heading for trouble and the government managed to pay all the benefits it has promised, it's still a lousy deal for you.

That's because the Social Security taxes the government collects from you aren't invested anywhere. The only interest they "earn" is on paper, because the government spends your tax dol-

lars immediately – on all kinds of things – and leaves a big I.O.U. in the Social Security account. In the first place, it's reckless to spend dollars that are supposed to be reserved for your retirement. But that's another issue entirely.

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The greater injustice is that because those dollars aren't invested for you, they never have the opportunity to grow and provide wealth – and security – far beyond what Social Security offers today.

When it's time to collect their Social Security benefits, retirees find out that the return on their contributions is less than 2 percent for most families. That's below what they'd get by just leaving their

Many actually get back less than they put into the Social Security system.

money in a checking account.

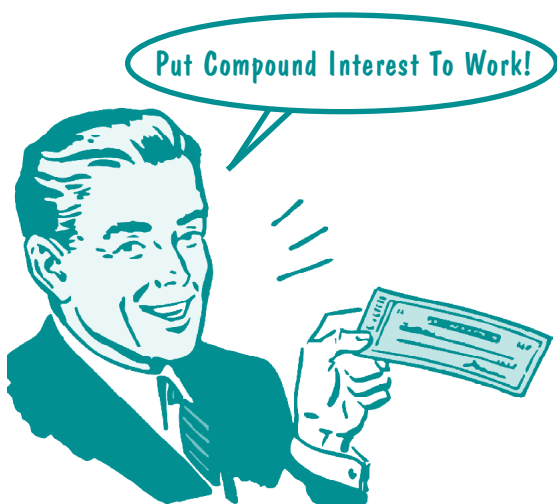
In many cases, they actually get back less than they put into the system, especially if they're Hispanic- or African-Americans.

Shocked? So are the growing numbers of Americans who have nothing but their Social Security benefits to rely on during their retirement years.

"The Greatest Mathematical Discovery of All Time"

Physicist Albert Einstein called it "the greatest mathematical discovery of all time." No, he wasn't talking about $E=mc^2$ or gravity or

any of the other scientific theories of his you've no doubt studied. The discovery that got Einstein so excited is compound interest, in which time and a good rate of return can combine to turn an investment of hundreds of dollars into thousands, and thousands into millions.



Compound interest isn't especially complicated. Say you deposit \$100 into an account that pays monthly compound interest. The interest you earn on your investment is added at the end of the first month to the amount you first deposited. At the end of the next month, interest is calculated on that amount plus anything you've earned during the second month. It just continues to grow.

If you're 15 years old and invest \$1,000 today, your investment, compounded monthly at a 7.5 percent return, would multiply to \$37,190 by the time you're 65. Not bad!

Why won't the government let you invest your dollars into the market?

Investing takes many forms: stocks and bonds, mutual funds, gold, futures, and bank accounts. Even your mom's Beanie Babies could be an investment. "The market" is where investments are traded, and chances are good that your family is investing in the market – 62 percent of all families today are putting compound interest to work for them by owning corporate stock.

And why not? Despite periodic ups and downs over the past 70 years, including the dark days of the Great Depression, market investment offers an average return of 7.56 percent. That's outstand-



ing, especially when compared against Social Security's miserly offerings of under 2 percent today and negative returns in the near future.

Then here's my question: if investing offers such great rewards for families, individuals, and even labor unions (which invest their members' pension contributions in the market because of the great opportunity for financial growth), why won't the government let you invest into the markets the tax dollars you're now giving up to Social Security – tax dollars you may never see again?

The chance to create real retirement security makes a lot more sense than continuing a pyramid scheme that offers nothing but a lot of false hope and empty promises down the road.



Wanted: Bold Solutions, Not More Baloney

Whenever Social Security runs into trouble – and believe me, this isn't the first time the program has faltered – Congress and the President usually raise the Social Security tax rates to “save” the program. That's been Washington's solution 52 times in the past! Now, instead of digging in and offering real solutions that provide the retirement security the Social Security program can't, some politicians want to raise your taxes again. Or cut the benefits you've been promised. Or make you work longer before you can receive them.

**You deserve bold solutions
that give you wealth and
security when you retire.**

That's baloney.

Social Security was created nearly 70 years ago. It's the product of a different era. Tinkering with it by raising your taxes or slashing your benefits isn't fair and won't save Social Security anyway. You deserve bold solutions that give you wealth and security when you retire, and provide nothing less for the generations that follow.

Here's Where It Gets Good: Personal Retirement Accounts

Instead of dropping tax dollars into the Social Security black hole, I've introduced legislation in Congress that would let you deposit your money – 10 percent out of each paycheck – into a “personal retirement account.” The account is yours. Every dollar you put into it during your working years is yours to withdraw when you retire. Every cent of compound interest you earn is yours, too. The politicians can't take it, tax it, or tamper with your account, because it's yours. And just like any personal property, you can pass it along to your heirs when you... well, pass along.

Personal retirement accounts work.

If you manage your account wisely, you'll have the opportunity to create real wealth for yourself and your family over the course of your working career. That doesn't mean you have to be a financial wizard, though; you're guaranteed *at least a minimum level of benefits* when you retire that are still well above what Social Security provides today.

Deep in the Heart of Taxed-Less

Is this one of those ideas that sounds good on paper but couldn't possibly work in real life? No, we have an example of this very system in action – in Texas.

In 1981, the employees of Galveston County, Texas took advantage of a loophole in the law and opted out of Social Security to set up personal retirement accounts. What they've achieved is amazing.



Under Social Security, the maximum retirement benefit is \$1,280 per month, but under the Galveston plan, retirees receive a monthly average of \$4,790. The maximum amount paid under Social Security to the family of a deceased retiree is only \$253, while under

the Galveston plan, the average death benefit is \$75,000 and the maximum benefit can reach \$150,000. Disability payments under Social Security are \$1,280 per month, compared with \$2,749 for Galveston employees.

Personal retirement accounts work. Just ask the folks in Galveston County if they'd ever go back to Social Security!

A Retirement Plan for YOUR Generation

My bill, the Personal Security and Wealth in Retirement Act, creates a new retirement system built on the personal retirement account.

The Personal Security and Wealth in Retirement Act is especially good for young people.

Put my plan into action and you'll find a retirement tailor-made for your generation, coupling the security a good retirement plan should provide you with the personal freedom Social Security never did.

The Personal Security and Wealth in Retirement Act is especially good for young people. After all, you've got your entire working career ahead of you. Step into a personal retirement account today and if you choose, your money will be working for you for another three or four decades, giving you better benefits to collect when you decide to retire. That's another important point: you – not the government – get to choose your retirement date. As long as you've accumulated the minimum benefits necessary for your lifetime, you're free to collect that gold watch whenever you want, whatever your age. Now that's flexibility!

Nobody's left out in the cold.

Just because my plan is good for you doesn't mean we forget your parents, grandparents, and great-grandparents. Their benefits are guaranteed, and my plan offers even greater protections to those who aren't

able to care for themselves than are available today. And we do it all without changing the retirement age, reducing benefits, or increasing taxes. Everybody participates, everybody's protected – including the disabled and the disadvantaged – and nobody's left out in the cold.



The Benefits Are Guaranteed!

Yes, my plan would mean a dramatic change from the way we've done things in the past, but clinging to the past isn't going to get us very far into the future.

And It's a Retirement Plan for the Next Generation, Too

By changing the system now, we'd also free the generations to come from the massive debt generated by today's Social Security. So

Any changes will have the greatest impact on you.

not only are we focusing on making things right in the present, we're also looking to the future – and ensuring a better quality of life for your kids and grandkids. That's a remarkable

step for a government that's prone to pushing off today's problems onto tomorrow.

So, Are You Thinking About Your Retirement Now?



You've only just begun to work. Retirement is probably the furthest thing from your mind. It shouldn't be, though. Everyone has a stake in the debate over what to do about Social Security, but nobody has a bigger stake than you. Your grandparents won't have to worry. Your parents probably won't be affected. Unfortunately, there are no such guarantees for you. Any changes we make in the Social Security program today – or the changes we fail to make – will have the greatest impact on you, our young people.

For that reason, I urge you to get involved in the Social Security debate. The worst thing you could do is sit silently by and let decisions that affect the rest of your lives be made without your input.

"I just want to get a little more out of my payday" begins a song by Tim McGraw. Getting you a little more out of your payday, and a lot more security for your future, is what the Personal Security and Wealth in Retirement Act is all about. To learn more about Social Security's future and my bill, visit my home page on the Web. You can find me at:

www.grams.senate.gov

Information on the Social Security program itself is available from the Social Security Administration:

www.ssa.gov



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